

MEMORANDUM OF UNDERSTANDING
BETWEEN
MTA METRO-NORTH
And
ASSOCIATION OF COMMUTER RAIL EMPLOYEES
Division 9
Representing Engineers

The parties hereby agree to the following amendments and changes to the Collective Bargaining Agreement for the period January 1, 2003, through December 31, 2006.

This Memorandum of Understanding is subject to ratification by the membership of the Association of Commuter Rail Employees, Division 9 - Engineers, and final approval by the Metropolitan Transportation Authority Board of Directors.

Metro-North/ACRE Engineers
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THIS AGREEMENT is made this 15th day of January, 2004, by and between the Metro-North Commuter Railroad ("Metro-North") and the employees represented by the Association of Commuter Rail Employees - Division 9.

ARTICLE I - GENERAL WAGE INCREASES

SECTION 1 - LUMP SUM PAYMENT

Following membership and MTA Board ratification, Metro-North will pay a one-time non-recurring lump sum payment of \$1,000 to each employee who meets the eligibility requirements specified below in Section 5.

SECTION 2 - SECOND GENERAL WAGE INCREASE

Effective January 1, 2004, all rates of pay irrespective of the method of payment (hourly, daily, etc.) in effect on December 31, 2003 shall be increased by three percent (3%).

SECTION 3 - THIRD GENERAL WAGE INCREASE

Effective January 1, 2005, all rates of pay irrespective of the method of payment (hourly, daily, etc.) in effect on December 31, 2004 shall be increased by three percent (3%).

SECTION 4 - FOURTH GENERAL WAGE INCREASE

Effective January 1, 2006, all rates of pay irrespective of the method of payment (hourly, daily, etc.) in effect on December 31, 2005 shall be increased by three percent (3%).

SECTION 5 - ELIGIBILITY FOR WAGE INCREASES

In order to be eligible to receive the above referenced lump sum payment, the employee must have been on the payroll between January 1, 2003 and December 31, 2003. Employees who were on the payroll during 2003 for less than twelve (12) months (retirees, new hires or otherwise off pay status) for one (1) month or more shall have their lump sum prorated based on the number of months on the payroll over a denominator of twelve (12). Fifteen (15) days or more on the payroll in a month shall constitute a month of service.

Example: An employee retires on September 1, 2003. Such employee had eight (8) months on the payroll and shall receive 8/12ths of the lump sum amount.

Employees who were terminated or voluntarily resigned during 2003 shall not be entitled to the lump sum payment or any pro rata share of the lump sum payment.

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ARTICLE II – DEFINED BENEFIT PENSION PLAN

Effective January 1, 2004, employees hired between January 1, 1983 and December 31, 2003, and who are participants of Metro-North Agreement Defined Contribution Pension Plan (also known as the "Vanguard Plan" or "Plan"), shall cease making employee contributions to said Plan and Metro-North shall also cease making contributions to said Plan.

Such employees and all employees hired after December 31, 2003 shall commence participation in a new defined benefit program within the MTA Defined Benefit Plan ("New Program") and such New Program shall have the same terms and conditions as those applicable to non-represented employees of Metro-North in the MTA Defined Benefit Plan except as follows:

1. Current employees as of January 1, 2004 shall receive service credit for service rendered on or after January 1, 1983, based on their date of hire at Metro-North and all employer contributions and the earnings attributable to such contributions credited to such employees in the Vanguard Plan for such service shall be transferred to the MTA Defined Benefit Plan.
2. All employees shall make three percent (3%) member contributions to the New Plan. All 2004 retroactive wage adjustments for all employees will be contributed directly into the new defined benefit program.
3. Employee contributions and the earnings from these contributions made to the Vanguard Plan shall remain in the Vanguard Plan. The parties agree to seek approval from the Internal Revenue Service to allow employees to transfer, at the employee's request, their contributions from the Plan to the MTA Deferred Compensation Plan.

ARTICLE III – BENEFITS

Health Insurance Premiums

All new employees hired after full and final ratification of this Agreement will contribute to the premium cost of the health insurance plan at the same rate paid by Metro-North management employees, including future adjustments.

Vision Benefits

Effective July 1, 2004, the level of Vision Benefits for ACRE Division 9 Members will be equal to those for Metro-North Railroad Management employees.

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Life Insurance

Effective upon the full and final ratification of this Agreement the existing Company paid Life Insurance benefit of \$100,000 is eliminated.

ARTICLE IV - WORK RULE CHANGES

Rule 9 (Guaranteed Extra Board)

Amend Rule 9(d) to provide that Passenger Engineers who mark off for sickness or personal reasons will be held off the Board for twelve (12) hours and will then be placed at the bottom of the Extra Board.

Rule 36 Personal Leave

Effective January 1, 2004, the extra floating (birthday) holiday for employees with thirty (30) or more years of continuous service is eliminated.

Rule 34 - Holidays

Effective upon the full and final ratification of this Agreement the existing holiday provision will be amended, allowing for Veteran's Day to be replaced with the Day after Thanksgiving.

Vacation Selection (Vacation Wheel)

In order to more equitably allocate vacation use, effective with the Vacation selection for 2005, the existing practices for selecting vacations will be modified. The new procedures will require all employees (in seniority order) to select one (1) of their vacation week selections for a week in the fourth quarter of the year (September 1-December 31 excluding Thanksgiving and Christmas weeks). After all employees have selected a week in this fashion, then the ordinary seniority based vacation selection will continue for the remaining vacation allocation.

ARTICLE V - MORATORIUM

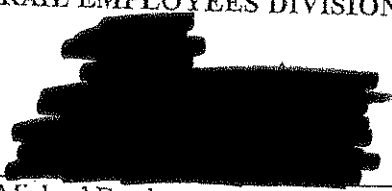
(1) The Agreement shall be effective January 1, 2003 and shall remain in effect through December 31, 2006 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.

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(2) The parties to this Agreement shall not serve or progress prior to July 3, 2006 (not to become effective before January 1, 2007) any notice or proposal for the purpose of changing agreements.

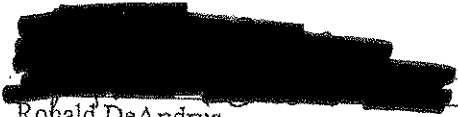
This Memorandum of Understanding is subject to ratification by the membership of the ACRE Division 9 and final approval by the Metropolitan Transportation Authority Board of Directors.

FOR ASSOCIATION OF COMMUTER
RAIL EMPLOYEES DIVISION 9


Michael Doyle
General Chairman, ACRE Division 9

FOR METRO-NORTH


Raymond Burney
Director, Labor Relations


Ronald DeAndrus
Vice General Chairman, ACRE Division 9

Peter A. Cannito
President



Metro-North Railroad

January 15, 2004

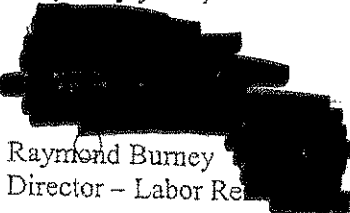
Mr. Michael Doyle
General Chairman - ACRE - Div. 9
420 Lexington Avenue, Suite 215
New York, New York 10017

Re: Rule 23 - Discipline and Investigation

Dear Mr. Doyle:

This will confirm our understanding that the parties have agreed to amend Rule 23 to provide for an appeal of discipline action taken to the Labor Relations Department rather than the existing internal appeal process to the Operations Services Department. The time frame for filing an appeal, and Metro-North Railroad's response, will mirror the time frames currently in place in the ACRE Division 1 Collective Bargaining Agreement.

Very truly yours,


Raymond Burney
Director - Labor Re

Peter A. Cannito
President



Metro-North Railroad

January 15, 2004

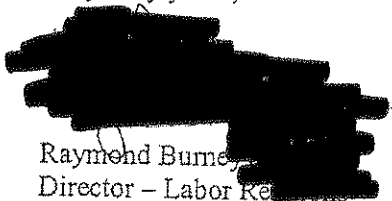
Mr. Michael Doyle
General Chairman - ACRE - Div. 9
420 Lexington Avenue, Suite 215
New York, New York 10017

Re: Pay for Union Business

Dear Mr. Doyle:

This will confirm that Metro-North will examine the legal and practical implications of establishing a procedure wherein active, full time Metro-North employees who are bonafide Union Officials will receive pay from Metro-North while on Union Business and the Union will reimburse Metro-North for all of the payroll costs incurred by Metro-North. This arrangement will not change the current rules or practices that determine when an active employee who is a Union Official is entitled to receive compensation from Metro-North.

Very truly yours,


Raymond Burney
Director - Labor Relations

Peter A. Cannito
President



Metro-North Railroad

January 15, 2004

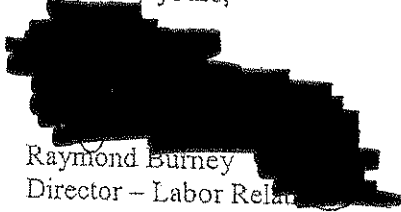
Mr. Michael Doyle
General Chairman - ACRE - Div. 9
420 Lexington Avenue, Suite 215
New York, New York 10017

Re: Retiree Health Benefits

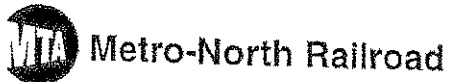
Dear Mr. Doyle:

Retired Metro-North employees are ineligible for health and welfare benefits under the Empire Plan when they become eligible for Medicare benefits. Metro-North agrees to seek agreement from the Empire Plan administrators to allow retired Metro-North employee's to continue enrollment in the Empire Plan with the retiree paying the full cost of this continued enrollment directly to the Empire Plan.

Very truly yours,


Raymond Burney
Director - Labor Relations

Peter A. Cannito
President



January 15, 2004

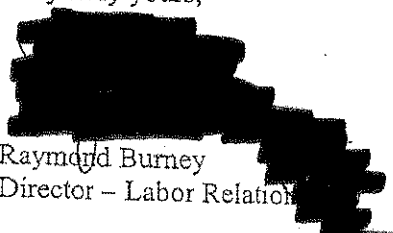
Mr. Michael Doyle
General Chairman - ACRE - Div. 9
420 Lexington Avenue, Suite 215
New York, New York 10017

Re: Deposit of \$1,000 Lump Sum Directly into Deferred Compensation Plan

Dear Mr. Doyle:

This will confirm that Metro-North will examine the legal and administrative implications of allowing employees, at their choice, to have the \$1,000 lump sum payment for 2003 deposited directly into an MTA Deferred Compensation Plan account.

Very truly yours,


Raymond Burney
Director - Labor Relations

Peter A. Cannito
President



January 15, 2004

Mr. Michael Doyle
General Chairman - ACRE - Div. 9
420 Lexington Avenue, Suite 215
New York, New York 10017

Re: Vacation Preference Selections

Dear Mr. Doyle:

This will confirm our agreement that vacation preferences will be posted in weekly increments.

Very truly yours,


Raymond Burney
Director - Labor Relations

Peter A. Cannito
President



Metro-North Railroad

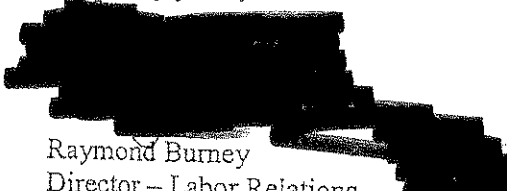
January 15, 2004

Mr. Michael Doyle
General Chairman - ACRE - Div. 9
420 Lexington Avenue, Suite 215
New York, New York 10017

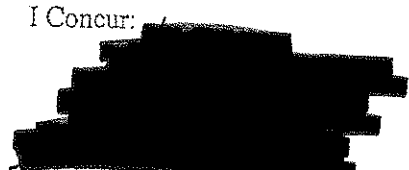
Dear Mr. Doyle:

This letter will confirm our discussions during the recently completed negotiations for a new collective bargaining agreement regarding the MTA's proposed corporate restructuring. We agree that the proposed restructuring provides potential opportunities for the MTA to operate more efficiently. We also agree that the best way to maximize those efficiencies is through cooperative efforts and good faith discussions which acknowledge the legitimate concerns of the workforce regarding seniority, earnings, job security and the like. We commit to using our best efforts to ensure that these discussions take place in a harmonious atmosphere and reach a timely and mutually acceptable conclusion.

Very truly yours,


Raymond Burney
Director - Labor Relations

I Concur:



Michael Doyle, General Chairman
ACRE - Division 9

Peter A. Cannito
President



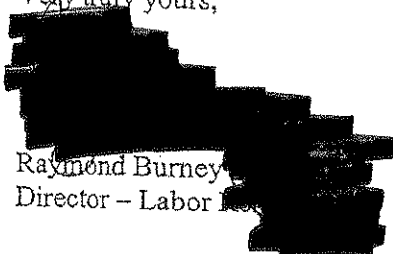
January 15, 2004

Mr. Michael Doyle
General Chairman - ACRE - Div. 9
420 Lexington Avenue, Suite 215
New York, New York 10017

Dear Mr. Doyle:

This letter will confirm our discussions during the recently completed negotiations for a new collective bargaining agreement regarding the financial impact of employee contributions to the new Defined Benefit Pension Program. MTA's consulting actuaries determined that the cost of limiting the 3% employee contribution for 10 years of service was .009 of the affected payroll (.9%).

Very truly yours,


Raymond Burney
Director - Labor